



**Director of
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***Wednesday
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Special Analysis

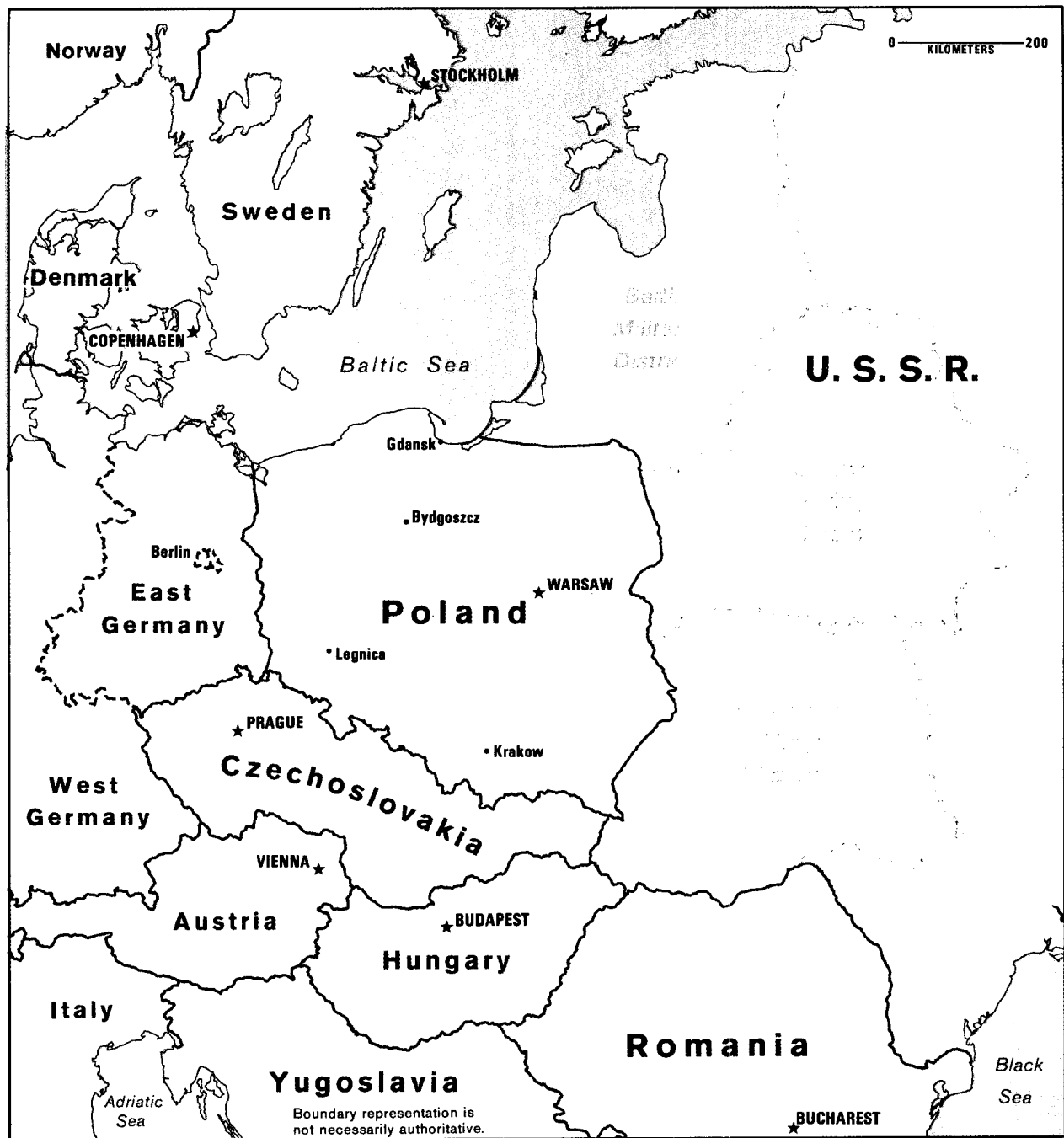
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POLAND: Pivotal Meeting Today

Neither the regime nor Solidarity has shown any sign it intends to give in during the very difficult and perhaps pivotal meeting today. []

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Party leader Kania yesterday said Solidarity's call for strikes created the "danger of self-destruction" and turned a local incident into an issue that "threatens national catastrophe." []

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Deputy Premier Rakowski, who will meet with union leader Walesa today, warned that Solidarity's leaders are attempting to become the "new owners" of Poland. He also said "stubborn demands" will not break socialist power in the country but might lead it into a "fratricidal conflict." []

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Solidarity, after a long and stormy meeting Monday night, yesterday issued a call for a warning strike on Friday and a general strike next Tuesday unless the government meets its demands. The union also has formed a 10-member strike committee headed by Walesa that will operate out of Gdansk. Union leaders from the Warsaw area have moved into the large Ursus factory to conduct their business. []

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The union is waging an extensive and apparently effective propaganda campaign about the incident in Bydgoszcz. Posters and leaflets providing Solidarity's version of events have appeared in a number of cities, and the populace apparently believes the union's story. Students in Krakow have declared a strike alert in support of Solidarity. []

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Economic Problems

The political tension has aggravated the food shortage. Radio Warsaw last night reported that long lines of people were waiting to buy food in three cities along the Baltic coast and that an "acute" food shortage exists. The governor of Gdansk has ordered all food rationed. Even before the latest political crisis, a Politburo member suggested that food riots could occur in Poland if supplies do not improve. In addition, a Polish economist recommended immediate introduction of bread rationing.

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Moscow has signaled approval for a hard line toward Solidarity by carrying in TASS the statement made by the Polish Politburo on Sunday essentially word for word. TASS, significantly, quoted from the original Warsaw Radio version of the statement and ignored changes in a subsequent Polish version that appeared to leave open the door for some compromise by the regime.

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Moscow Radio commentator Yuri Shagylin yesterday echoed this tough stance and called Solidarity's plans for protest strikes "political" in nature. In a broadcast on Sunday, he had charged Solidarity's leadership with attempting to establish "dual power" in Poland.

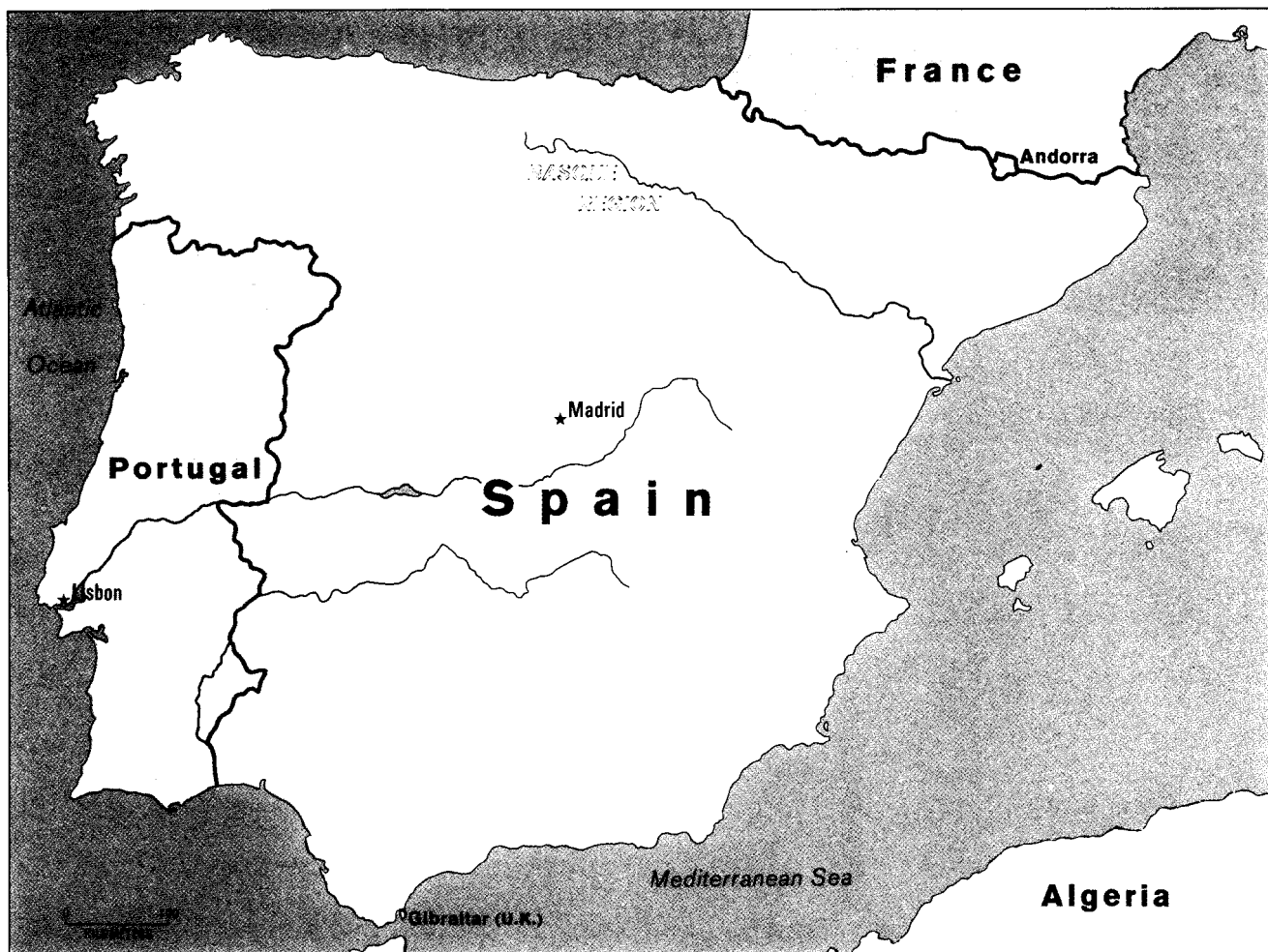
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SPAIN: Military Assigned to Basque Region

The decision to send troops into the Basque region to back up security forces may alleviate military concerns about terrorism but could jeopardize improved relations between Madrid and the regional government.

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Madrid's quick response to the recent killing of two Army officers in the Basque region is a measure of the government's wariness of potential military unrest following the attempted coup last month. Madrid has been resisting military involvement in Basque security problems, fearing such a move would swing local opinion behind the terrorists.

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Nevertheless, it is the first time since Franco's death the Army has had a role in combating Basque terrorism.

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The terrorists probably will seek to portray the military as an army of occupation and are likely to step up their campaign of killing officers in an attempt to provoke harsh reprisals that would drive Basques into the terrorists' camp.

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Before the decision to send troops into the region was announced, the moderate Basque Nationalist Party, which dominates the regional government, for the first time publicly offered to help Madrid fight the terrorists. The Basque moderates, however, are caught in a difficult position. If they help Madrid, they also will become targets of the terrorists and will be vulnerable to charges of collaborating with the enemy. If they do nothing they risk losing the hard-won Basque autonomy in the event the military is provoked into a takeover.

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LATIN AMERICA - CUBA: Mounting Diplomatic Hostility

Colombia's suspension of relations with Cuba following the exposure of Cuba's involvement with the most active Colombian terrorist group is the latest example of growing diplomatic hostility toward Havana. [REDACTED] 25X1

Last week as Costa Rica was closing down its consulate in Havana, the Cuban Ambassador in Lisbon was expelled and Portugal recalled its charge. In addition, Cuba's relations with Peru and Venezuela have been increasingly strained since early last year, and Ecuador is on the verge of severing ties. [REDACTED] 25X1

With the departure of the Colombian diplomats, the only Latin American countries with ambassadors still in Havana are Argentina, Nicaragua, Panama, and Mexico. The move by Bogota, however, is not likely to diminish the influence of the predominant hardliners in the Cuban leadership. Havana already is accusing Colombia of conspiring with the US against Cuba. [REDACTED] 25X1

Cuba's diplomatic arrogance during the past year reflects the low priority President Castro assigns to normal state-to-state relations. It also underscores his continuing commitment to subversion and violent revolution. [REDACTED] 25X1

The Colombians, meanwhile, are likely to increase efforts to stamp out the guerrillas, and they may increase support to Central American governments threatened by similar insurgencies. The recent exposure also will reinforce Bogota's interest in improving its close relations with the US. The Colombians may request additional US military equipment and training for their counterinsurgency campaign. [REDACTED] 25X1

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SYRIA-JORDAN: Propaganda War

Intensified propaganda attacks on each other by Syria and Jordan underscore the continuing tension between them. [redacted]

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Jordanian King Hussein, for the first time since relations with Syria began to deteriorate markedly late last year, publicly attacked President Assad last weekend, accusing him of splitting the Arab world and undermining the Palestinian cause. [redacted]

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Assad replied in kind to Hussein yesterday, calling on Jordanians to "overthrow the traitor." He qualified his stance with an offer of reconciliation should Hussein "open all borders for Palestinian guerrilla activities against Israel." [redacted]

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The Syrians previously have denounced Hussein and tried to undercut his standing with other Arab leaders by focusing their propaganda attacks on Jordanian contacts with Israeli politicians. Damascus media have exploited reports of a recent meeting between Hussein's brother and Israeli Labor Party chairman Peres to strengthen Syria's claim that Jordan is seeking to arrange a unilateral agreement with Israel on the status of the occupied West Bank.

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Some Arab leaders are concerned the dispute may be getting out of control. [redacted]

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USSR: Oil Export Reductions

Analysis suggests that the USSR is likely to cut oil exports to hard currency customers this year by about 200,000 barrels per day--more than 20 percent. Some customers already have been notified by the Soviets. Exports to Italy will be cut by 40,000 barrels per day and to France by 20,000 barrels per day. Sweden expects its supply of Soviet oil will also be reduced. Breaking with tradition, Moscow is increasing its oil price even more than OPEC countries. This development tends to confirm that the reductions reflect Soviet supply difficulties rather than a slackening demand for Soviet oil. Several Soviet officials, moreover, have told the Italians that internal needs prompted the export cut.

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LIBERIA: Banking Crisis Looms

The closure by the government of the Bank of Liberia--a major commercial bank partly owned by Chemical Bank--is further eroding confidence in Liberia's troubled banking system. The bank was heavily in debt to the country's central bank,

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the \$25 million in the untied funds that the US Embassy reports Liberia will need through June, mainly to help pay foreign debts.

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SPECIAL ANALYSIS

POLAND: Possible Turning Point

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Solidarity and the government are on another collision course and will have greater difficulty than ever before in avoiding violence. The chances have increased markedly that the regime will impose martial law even though doing so risks provoking widespread disorder and a military intervention by the Soviets.

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Both sides are talking tough. The harsh party Politburo statement as well as the government's stubbornness during talks with the union on Sunday suggest that the party feels compelled to stand firm in the face of union demands over the incident at Bydgoszcz.

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The union has put the government on the defensive with its propaganda campaign on police brutality. It also has tried to deny the regime its ultimate weapon of a declaration of martial law by moving regional union headquarters into the factories and by making a general strike the automatic response to such an action.

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Solidarity's Position

The incident at Bydgoszcz--following other instances of increased police harassment of Solidarity--has brought to the surface and focused attention on the workers' deep resentment of the repressive activities of the privileged security services. The workers have lost some of their fear of the police, are determined to resist the use of force by the police, and see the incident as a test of their resolve. Union leaders believe that with 10 million members and wider popular support they can stand up to the police and win.

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Solidarity's minimum demands probably are high. Many in the union will not be satisfied with the sacking of a few local policemen in Bydgoszcz and will remain adamant that political officials also be dismissed.

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Some activists also want broader assurance that harassment of the unions will stop. Solidarity leader Walesa, who prevented wildcat strikes over this issue last week by threatening to resign, may now not have the ability or the inclination to prevent a general strike if the government does not show signs of being responsive.

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The Regime's Options

The government probably has adopted a tough stance because it is under great pressure from hardliners and the Soviets to stand firm, and because it may believe Solidarity has exaggerated an incident that was in large measure provoked by union activists. Moreover, it does not want to weaken the security forces, one of its few remaining loyal and effective instruments of power.

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The regime could try to strike a limited compromise by blaming local police officers. It also could go much further in meeting Solidarity's demands--or refuse to give in at all. The government probably will try offering a limited compromise first, because this involves the fewest risks, allows it to show a continued commitment to political solutions, and increases its ability to depict Solidarity as the irresponsible party should no compromise be found.

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If a compromise is to succeed, however, the authorities will have to try to bring indirect pressure on Solidarity to moderate its demands. This could involve appeals to the Church, hints of martial law, or threats of military force. The Church may refuse to become involved, however, until the government has shown it will act against cases of police brutality.

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Some in the regime may be prepared for greater compromise, believing the Soviets still want to avoid military intervention. Consequently, another capitulation by the government cannot be ruled out, even though it might weaken party chief Kania's political standing and severely damage relations with Moscow.

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If the regime decides not to give in, it must be prepared to face a general strike. There would be considerable pressure on the government to preempt or control such a strike by declaring martial law even though any element of surprise is gone. [redacted]

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Such a course raises the chance of extensive unrest or a total impasse between striking workers and security and military forces. Either prospect could lead the Soviets to intervene. The party leadership nonetheless appears to be much closer to adopting this course than it has been in the past. [redacted]

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The Soviet Factor

The Soviets probably regard this latest crisis as a pivotal test of the Kania regime's determination to stand firm. Moscow has been urging such a course on Warsaw with increasing forcefulness. [redacted]

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The Kremlin has drastically narrowed the Polish regime's room for compromise by publicly adopting a hard line on the incident at Bydgoszcz. In past confrontations between Solidarity and the regime, the Soviets have either refrained from direct public comment or broken their silence only after the issue has been decided. [redacted]

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A "victory" by the government would give Kania's stock a badly needed boost in Moscow. Should the party again give up more than Solidarity, however, Moscow may begin to push for Kania's replacement by someone more willing to take a tougher line. If the regime does not back off and Solidarity continues planning for a general strike, Soviet leaders will put even greater pressure on Warsaw to declare martial law. [redacted]

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Moscow realizes there is a considerable risk that martial law could lead to uncontrollable violence, which would require direct Soviet military intervention. There is no evidence indicating the Soviets are readying the massive force necessary for an intervention under such chaotic circumstances. Nevertheless, [redacted]

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[redacted] Soviet forces in and around Poland are more prepared for intervention than at any time since last December. [redacted]

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